GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1301
ANSWERED ON:07.03.2008
CREDIT CARDS FRAUDS
Nikhil Kumar Shri

Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that Economic Offences are on the rise in the country particularly credit card frauds;

(b) if so, the details thereof; and

(c) the steps taken/proposed to be taken by the Government to check such rising trend of economic offences including lucrative marketing and pre-launch scheme?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c) The number of frauds in credit card segment and amount involved therein as reported by banks to the Reserve Bank of India (RBI) during the last three calendar years is as under:

(Amount in Rs. crore)

Type of Banks	2005		2006		2007	
	No.of frauds	Amount involved	No. of frauds	Amount involved	No.of frauds	Amount involved
Public Sector Banks	327	2.77	10	0.21	9	0.20
Private Sector Banks	5274	6.62	13350	17.71	10895	18.02
Foreign Banks	3188	8.97	3908	12.08	6390	20.22
Total credit card Frauds	8789	18.36	17268	30.00	17294	38.44

The total number of fraud cases and amount involved therein (including credit card segment) as reported by banks to the RBI, during the last three years is as under:

(Amount in Rs. crore)

Type of Banks	2005		2006		2007	
	No.of frauds	Amount involved	No.of frauds	Amount involved	No. of frauds	Amount involved
Public Sector	2658	1134.39	2568	844.76	2933	793.38
Private Sector	6169	222.23	14432	322.07	12316	223.71
Foreign Banks	3547	29.29	4687	34.04	7031	60.75
Total	12374	1385.91	21687	1200.87	22280	1077.84

While the total number of frauds as reported by banks is increasing, there is a reduction in the total amount involved over the last three years.Reserve Bank of India, as a part of its supervisory process, has been sensitizing banks from time to time about common fraud prone areas, modus operandi and the measures to be taken by them to prevent/reduce the incidents of frauds in banks. RBI has issued guidelines to banks on credit card operations which were consolidated in a master Circular dated 2.7.2007. In terms of this Circular, banks should independently assess the credit risk while issuing credit cards to customers. While issuing the cards, the terms and conditions for issue and usage of a credit card should be mentioned in clear and simple language (preferably in English, Hindi and local language) comprehensible to the credit card user. As per the master Circular, the most important terms and conditions (termed as standard set of conditions`) should be highlighted and advertised/sent separately to the prospective customer at all stages i.e. during marketing, at the time of application, at the acceptance stage and in important subsequent communications.RBI has also taken various measures to prevent bank frauds and in particular has advised banks to introduce a system of concurrent audit covering branches accounting for 50% of their business (Deposit & Advances), prescribed detailed Know Your Customer (KYC) norms, advised banks to constitute a Special Committee of the Board for exclusive monitoring of large value frauds of Rs. One crore and above and to set up Fraud Prevention Committees/Task Forces. RBI has further advised the banks to follow due diligence in their Human Resource policy and accounting systems and procedures with a view to prevent frauds.